FISCAL NOTE

Bill #:	SB0460	**Title:**	Revise definitions applicable to metal mines license tax
Primary Sponsor:	Story, B	**Status:**	As Amended in Senate Committee

Sponsor signature Date

Chuck Swysgood, Budget Director Date

Fiscal Summary	**FY 2004**	**FY 2005**
Revenue:	**Difference**	**Difference**
General Fund	($66,352)	($173,459)
State Special Revenue		
Hard-Rock Mining Impact Trust	$(2,860)	$(5,720)
Hard-Rock Reclamation Debt Service	$(9,725)	$(19,448)
Reclamation and Development Grants	$(8,008)	$(16,016)
Impacted Counties	$(27,456)	$(54,912)
Net Impact on General Fund Balance:	($66,352)	($173,459)

- ☒ Significant Local Gov. Impact
- ☐ Included in the Executive Budget
- ☐ Dedicated Revenue Form Attached
- ☒ Technical Concerns
- ☒ Significant Long-Term Impacts
- ☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. Beginning in calendar year 2004, this bill would increase the deductions that are allowed in calculating taxable gross proceeds for the metal mines license tax and the metal mines gross proceeds tax by approximately $14.3 million each year.
2. The additional deductions would be applied against production taxed at 1.6% for the metal mines license tax. The additional deductions would apply to tax collected for half of FY04, and collections in FY04 would be reduced by $114,400 in fiscal 2004 (0.5 x 1.6% x $14.3 million) and by $228,000 in FY05.
3. Revenue from the metal mines license tax is allocated 58% to the general fund, 2.5% to the hard-rock mining impact trust, 8.5% to the hard-rock mining reclamation debt service fund, 7% to the reclamation and development grants account, and 24% to counties impacted by metal mining. The following table shows the revenue reductions from this bill.

Revenue Impacts of SB460 as Amended in Senate Taxation Committee

	FY2004	FY2005
General Fund	$ (66,352)	$ (132,704)
Hard-Rock Mining Impact Trust	$ (2,860)	$ (5,720)
Hard-Rock Mining Reclamation Debt Service Fund	$ (9,724)	$ (19,448)
Reclamation and Development Grants Account	$ (8,008)	$ (16,016)
Impacted Counties	$ (27,456)	$ (54,912)
Total	$ (114,400)	$ (228,800)

4. For property tax purposes, the gross proceeds of metal mines are taxed at 3% of their value. The 95-mill school equalization levy is applied against this taxable value. This bill would reduce property tax revenue going to the general fund by $40,755 each fiscal year beginning in fiscal 2005 (0.095 x 3% x $14.3 million).
5. This bill would not have significant administrative impacts on the Department of Revenue.

FISCAL IMPACT:	FY 2004 Difference	FY 2005 Difference
Revenues:		
General Fund (01)	$(66,352)	$(173,459)
State Special Revenue (02)		
Hard-rock mining impact trust	$(2,860)	$(5,720)
Hard-rock mining reclamation debt service	$(9,724)	$(19,448)
Reclamation & development grants acct.	$(8,008)	$(16,016)
Impacted counties	$(27,456)	$(54,912)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	$(66,352)	$(173,459)
State Special Revenue (02)		
Hard-rock mining impact trust	$(2,830)	$(5,720)
Hard-rock mining reclamation debt service	$(9,724)	$(19,448)
Reclamation & development grants acct.	$(8,008)	$(16,016)
Impacted counties	$(27,456)	$(54,912)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
This bill would reduce metal mines license tax revenue earmarked for counties affected by mining by about $55,000 each fiscal year. This bill would reduce the taxable value of the gross proceeds of mines able to claim the extra deductions. This would reduce property tax collections in counties containing mines able to claim the extra deductions in this bill.

LONG-RANGE IMPACTS:
The revenue reductions resulting from this bill would continue in future biennia.

TECHNICAL NOTES:
1. The HJR2 forecast of metal mines license tax and the state 95-mill levy on gross proceeds of metal mines assume that deductions in fiscal years 2003 through 2005 will be the same as were shown on returns for calendar year 2001. Recent audits conducted by the Department of Revenue indicate that all deductions that would be allowed under this bill were claimed on these returns. The HJR2 estimates therefore need to be adjusted upward by the amount of revenue loss shown in this note.